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ABSTRACT

This report projects Texas school costs to 1982-83 under the present school finance system and suggests alternatives for modifying the projections. It also considers high and low cost projections, foundation costs by program, student and teacher populations, the financing of special programs, the cost of salary increases, and State costs of teacher retirement. Two general alternatives presented as ways that projected school finance cost increases might be modified are: (1) prospective overall State-local increases could be limited, and (2) the distribution of costs between State and local districts could be altered. (Author/DN)

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TEXAS PUBLIC SCHOOL FINANCE PROJECTIONS:

FEWER STUDENTS, MORE MONEY

3rd Interim Report

by the

TEXAS RESEARCH LEAGUE

April 1973

$3.00

EA 005 580

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THE TEXAS RESEARCH LEAGUE is a nonprofit educational corporation engaged in objective analyses of the operations, programs and problems of Texas government. The League is financed by public-spirited citizens through annual contributions.

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April 1973

To the Governor, Lt. Governor,
Speaker of the House, and
Members, 63rd Legislature

In June 1971, the Texas Research League accepted a request to make a study of future public school costs mandated by legislation enacted in 1969, and to explore the options for modifying projected cost increases. The study was undertaken with the stipulation that it would include the results of any court cases on the subject which might be decided while research was in progress.

The decision by a federal district court in the case of Rodriguez vs. San Antonio, handed down in December 1971, materially altered the scope and focus of the League's study, and the first two interim reports dealt primarily with the issues raised in the case. On March 21, the U.S. Supreme Court reversed the lower court decision, acknowledging inequities in the present system but commenting that any change "...must come from the lawmakers and from the democratic pressures from those who elect them." A final League report will analyze the proposed legislative responses.

This report fulfills the original obligation of the study request: To project costs under the present system and to suggest alternatives for modifying the projections. The possible effect of the suggested alternatives on the resource-equalization issue are discussed briefly, but the analysis deals primarily with the existing system.

Annual state and local school costs have increased by $296 million in the two-year period since the study was requested. Annual *state* costs alone will increase by at least $500 million in the next six years under present commitments, and costs to local taxpayers might increase by another $300 million per year. The suggested alternatives for modifying the projected cost increases are not advanced as recommendations, and the League takes no position on the educational merits of any of the options discussed.

Sincerely,

James W. McGrew
Executive Director

JWM:ekw

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ALTERNATIVE FUTURE COSTS UNDER THE PRESENT TEXAS SCHOOL FINANCE SYSTEM

Roughly half of all state-local public school costs in Texas are fixed by statutory or administrative formulas tied to pupil populations. It can be predicted with reasonable confidence that these costs will be nearly $550 million higher in 1978-79 than they were in 1972-73, barring changes in State or federal law.

The other half of all state-local public school costs in Texas is determined by local school board decisions in more than a thousand taxpaying districts. The potential increase in these locally determined costs under the existing system will depend primarily on two kinds of decisions:

1. The extent to which programmed increases in State salary aid are "passed on" in districts already paying above the State minimum schedule; and

2. The extent to which local districts use leeway provided by stabilized or declining enrollments and growing property values either to continue and expand local enrichment of current programs or to undertake larger debt service obligations for school building construction.

Put another way, local school districts may choose between higher spending for current programs and new buildings or lower local tax burdens. If past history may serve as a guide, it may be anticipated that most local districts will choose the higher spending option at a prospective cost increase of more than $300 million in the next six years.

HIGH-LOW COST PROJECTIONS OF THE PRESENT SCHOOL FINANCE SYSTEM

Table 1 below projects public school costs fixed by statutory and administrative formulas plus discretionary local supplements at alternative levels assuming (1) maintenance of current spending levels plus passing on programmed increases in state aid, or (2) possible reductions in local spending levels based on declining enrollments and property tax reductions corresponding to fewer students and more state funds.

As Table 1 shows, local spending *outside* the Foundation Program formulas might actually show a small decrease in the next six years, or might grow by as much as $310 million, depending on the combined choices of taxpaying local districts. The low estimate assumes continuation of current per-student enrichment levels, while the high estimate assumes increased enrichment commensurate with projected growth in the tax base.

Table 1

PROJECTED ALTERNATIVE COSTS OF CURRENT TEXAS SCHOOL FINANCE SYSTEM UNDER EXISTING FORMULAS
1972-73 to 1978-79
(in millions)

	1970-71 Actual	1972-73 Estimated		1978-79 Estimated	Increase 1973-79
Foundation Program	$1,072.4	$1,220.5		$1,719.0	$498.5
State Cost	882.6	993.2		1,461.9	468.7
Local Cost	189.8	227.3		257.1	29.8
Other State Programs	$ 118.7	$ 138.6		$ 192.7	$ 54.1
Other Local Costs	$ 775.1	$ 903.2	Low	$ 898.1	-5.1
			High	1,213.4	310.2
Current Expenditures	456.0	538.8			
Capital Outlay & Interest*	319.1	364.4			
Total State-Local	$1,966.2	$2,262.3	Low	$2,809.8	$547.5
			High	3,125.1	862.8
			Diff.		$315.3
Exhibit: Local School Property Taxes	$ 814.1	$ 897.5	Low	$ 924.0	$ 26.5
			High	1,202.7	305.2
- Maintenance	646.1	716.2			
- Debt Service	168.0	181.3			

Includes expenditures from bond sales.

Conceivably, the total reduction potential in local taxes might be still greater if the districts in combination chose to *reduce* the average level of enrichment when mandated increases in the State minimum salary schedule take place (1974 and 1978). On the other hand, local districts might combine to *increase* the level of enrichment by an amount greater than the increase in the tax base - if their taxpayers were willing to undertake a still larger burden.

The combined state-local cost of public school education under the provisions of *present state law* in Texas probably will increase by an amount ranging from a low of $547.5 million to a high of $862.8 million in the next six years.

The "Credit" Problem in State-Local Cost Division Estimates

The state and local cost projections in Table 1 assume a continuation of local share credits now allowed (see League Report Number Two for

descriptive detail). The statutory 20 percent local share of the total estimated $1,562.2 million Foundation Program cost in 1977-78 would require approximately $312.4 million for the 1978-79 Local Fund Assignment, but it is estimated that operation of the credit provisions will cut that share to about $257.1 million - or 15 percent of the total 1978-79 cost of $1,719 million. This reduction will take place despite the fact that prior year credits are added back to the beginning statewide Local Fund Assignment in the following year, because the credits are expected to grow at an explosive rate from year to year. Local districts do not benefit equally from the credits, and some districts will find their local shares drastically increased by the requirement that they help subsidize the benefits enjoyed by more favored districts in the previous year.

The major culprit in the expected credit growth is the so-called "maximum tax rate credit" (which is based on an administrative interpretation by the Texas Education Agency which never has been subjected to a legal test). That credit has grown from less than $500 thousand in 1965 to more than $22 million in 1972-73, and it is expected to grow by at least another $200 million in the next six years. However, projecting the maximum tax rate credit is a very hazardous undertaking, because it depends on several variables, including: (1) total cost of the Foundation Program; (2) growth of *county* assessed values in each district; (3) *school* tax rates required for debt service (and subtracted from the $1.50 maximum rate to determine the remainder theoretically available for current purposes); and (4) the statewide cumulative effect of the separate operation of these variables among the districts. It seems quite likely that the unequal impact of the credit will produce a court test sooner or later.

PROGRAMMATIC COST INCREASES

Nearly all of the predicted growth in state-local school costs *mandated by existing formulas* may be traced to five program factors:

	---------(in millions of dollars)----------			
			Increase	
	1972-73	1978-79	Amount	Percent
Kindergarten	$ 22.8	$ 78.4	$ 55.6	243.8%
Vocational Ed.	73.1	137.5	64.4	88.1
Special Education	101.5	269.8	168.3	165.8
Other Programs:				
Salaries	906.5	1,115.1	208.6	23.0
Retirement Cost	96.9	138.7	41.8	43.1
Total	$1,200.8	$1,739.5	$538.7	44.9%

The details of these programmed increases are discussed below, but it might be noted at this point that the *projected expansions of vocational and special education are based on administrative decisions delegated by the Legislature to the State Board of Education.* The

remaining cost component increases are tied to statutory mandates. The anticipated 45% growth in expenditures over the next six years will come during a period of relative enrollment stability.

FEWER STUDENTS: BUT MORE TEACHERS

The number of students in average attendance in the Texas public schools reached a peak in the 1970-71 school year of 2,454,368. Attendance in grades 1-12 dropped by 2,300 students in 1971-72 and is expected to continue to decline to a level of 2,339,000 by 1979-80 - a nine-year drop of 115,000 students. (See Table 2 on the next page.)

State-supported kindergarten was added to the public school program in 1970-71. It is being phased in and will be available to all five-year-old Texas children by 1977-78. Beginning in 1970-71 with 33,586 students, kindergarten attendance is expected to grow to 164,000 by 1979-80.

The combination of adding kindergarten to declining attendance in grades 1-12 is expected to stabilize the number of students in public schools during the remainder of the decade, as shown in Table 2. However, school attendance is expected to increase again in the decade of the 1980s, as the Table indicates.

Stable 1970s, Booming 1980s. Enrollment in Texas public schools is related directly to the number of children born during earlier years. The current decline in school enrollment is a result of sharply reduced birth rates since 1957. While the birth rate is expected to remain at a low level, the number of children born in Texas is expected to increase as the children of yesteryear's baby boom become tomorrow's parents. By 1974 or 1975 the number of children born in Texas is expected to reach the 1957 level of 255,000 and continue to increase to more than 300,000 births by 1980. New school programs added to offset the decline in students during the 1970s will become more costly during the 1980s as school enrollment again begins to increase.

More Teachers. A decade ago Texas schools employed one teacher or other professional for every 20.5 students. During the past ten years this ratio declined to a level of 17.5 students per professional in 1971-72. More than 21,000 professionals were employed in 1971-72 to implement this reduction. Presumably they were used to reduce class size, create special instructional programs, increase school administrative staff and/or reduce teaching hours during the school day.

In an April 1972 projection,[1] the Texas Education Agency anticipated that during the next six years an *additional* 12,284 teachers would be

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[1] *Estimates and Projections for Texas Public Schools, Texas Education Agency, Austin, Texas, April 8, 1972.*

Table 2

GROSS ADA PROJECTION BY GRADES, TEXAS PUBLIC SCHOOLS

	Gr. 1-5	Gr. 6-8	Gr.9-12	Total 1-12	Grade Ktgn.	Total K-12
1961-62	994,886	501,637	457,923	1,954,447	0	1,954,447
1962-63	1,029,304	515,975	494,510	2,039,789	0	2,039,789
1963-64	1,055,260	533,937	534,901	2,124,098	0	2,124,098
1964-65	1,064,360	557,175	563,698	2,185,233	0	2,185,233
1965-66	1,077,197	578,764	580,428	2,236,389	0	2,236,389
1966-67	1,098,948	597,022	603,078	2,299,049	0	2,299,049
1967-68	1,107,262	607,465	625,910	2,340,637	0	2,340,637
1968-69	1,117,477	622,715	651,377	2,391,569	0	2,391,569
1969-70	1,128,493	636,006	667,921	2,432,420	0	2,432,420
1970-71	1,114,368	645,924	694,076	2,454,368	33,586	2,487,954
1971-72	1,094,111	649,425	708,551	2,452,087	47,606	2,499,694
----------Projected----------						
1972-73	1,066,827	659,581	722,078	2,448,485	66,200	2,514,686
1973-74	1,027,637	666,626	733,722	2,427,985	86,433	2,514,418
1974-75	993,347	665,536	743,013	2,401,895	89,255	2,491,150
1975-76	971,408	656,188	748,871	2,376,467	115,630	2,492,097
1976-77	969,741	636,603	755,668	2,362,012	118,483	2,480,495
1977-78	987,066	606,811	755,994	2,349,871	154,687	2,504,558
1978-79	1,016,122	577,529	747,607	2,341,258	159,206	2,500,464
1979-80	1,050,922	558,316	729,383	2,338,620	164,101	2,502,721
1980-81	1,086,455	559,203	698,264	2,343,922	172,512	2,516,434
1981-82	1,123,183	576,092	667,249	2,366,525	176,716	2,543,240
1982-83	1,160,517	597,333	643,409	2,401,258	179,741	2,580,999

needed for 18,854 *fewer* students. The additional teachers projected by the Agency were attributable entirely to the anticipated growth of special education and vocational education classes. Even with the addition of kindergarten, the number of teachers of regular school programs was projected to decrease slightly by 1976-77.

FOUNDATION COSTS BY PROGRAM

In 1970-71 the cost of the Foundation Program totaled $1,057 million, or an average of $427 per student. Of this amount, $88 million was designated for salaries of administrative and supportive personnel such as superintendents, principals, librarians, school nurses, etc. These administrative and support costs, plus $25 million for transportation, are treated as overhead expenses in Table 3 below, and they averaged $46 per student in 1970-71.

The Foundation Program provided $794 million for regular school programs in grades 1-12 at a direct cost of $345 per student in 1970-71 (or $391 per student including overhead costs). Kindergarten for certain disadvantaged and handicapped students began in 1970-71 at a Foundation cost of $8.8 million. The formulas in the Foundation Program provided one teaching unit (or class) for every 24.7 students. As will be explained in detail later, enrollment in special and vocational education classes produced "bonus units" for the regular program which reduced the ratio from 24.7 to 23.8 students per teaching unit. The value of bonus units in 1970-71 was $24.5 million or $11 per student attending regular programs.

The Foundation Program provided $62.5 million for special education classes at a direct cost of $1,195 per full-time equivalent student attending those classes, or $1,241 including overhead costs in 1970-71. Foundation formulas provided one teaching unit in special education for every 8.5 students.

Vocational education programs were allotted $54.7 million under the Foundation Program for a direct cost of $667 per student, or $713 including overhead costs. The Foundation Program provided one vocational teaching unit for every 14.2 students.

State-Supported Kindergarten

Kindergarten under the Foundation Program was initiated in 1970-71 and programmed to expand gradually until all five-year-olds are included in 1977-78. State kindergarten aid was extended first to disadvantaged and educationally handicapped children (non-English-speaking, for example) and then to all children age 5 years 7 months by September 1, 1973. The age level will drop to 5 years 4 months in 1975 and then to 5 years in 1977. For those districts already providing kindergarten to all five-year-olds, state aid is simply an offset against local expenses.

Table 3

1970-71 FOUNDATION PROGRAM COSTS AND STAFFING RATIOS

	Millions of Dollars	COST PER ADA		Staffing Ratio ADA/Teaching Unit
		Direct	Including Overhead	
Overhead:				
Administrative & Support	$ 88.3		$ 36	
Transportation	24.9		10	
Total Overhead	$ 113.2		$ 46	
Regular Program:				
Grades 1-12	$ 793.7	$ 345	$ 391	24.7 to 1
Kindergarten	8.8	345	391	24.7 to 1
Bonus Units	24.5	11	11	
Total	$ 827.0	$ 356	$ 402	23.8 to 1
Special Education	$ 62.5	$ 1,195	$ 1,241	8.5 to 1
Vocational Education	$ 54.7	$ 667	$ 713	14.2 to 1
Total Foundation	$ 1,057.4*	$ 381	$ 427	24.4 to 1

*Excludes $15 million of special programs financed out of the Foundation School Fund.

Programs such as special and vocational education transfer students from a regular classroom to a special room, but kindergarten adds to the number of children attending school. Kindergarten is funded under the Foundation Program simply by increasing the number of eligible ADA which, in turn, allots more teaching units and other personnel to the district. Using data for 1971-72 (the second year of the kindergarten program), 40,719 eligible ADA were added, which in turn increased personnel allocations by 1,634 classroom teaching units (one for each 25 ADA), 58 full-time principals, 44 part-time principals, 25 supervisors and counselors, 83 special-service units and 83 teacher aides. The Foundation salary cost of these personnel totaled $14.2 million. In addition, the Foundation Program provided $660 for each of the additional 1,634 teaching units authorized, bringing the total salary and operating cost to $15.3 million.

The Foundation Program provided an average of $375 for each kindergarten student in 1971-72, but the average amount ranged widely among districts from $144 to more than $4,500 per student. Among the districts offering kindergarten, 408 were allocated funds below the State average of $375 per student, while 260 districts were above that average. More than $500 per student was allotted to 133 districts, of which 28 received more than $1,000 per kindergarten student. There were 481 districts (more than 40% of the total) which did not report any attendance in kindergarten in 1971-72.

Under legislation adopted in 1969, school districts can use the highest ADA for either the current school year or for the prior year. However, school districts have been permitted to use *prior* ADA in grades 1-12 and *current* ADA in kindergarten if that produces the maximum number. In some cases, only two or three kindergarten students provided the necessary ADA for an additional teaching unit, while some districts with 24 kindergarten students were not allotted any additional units.

Cost of Implementation. The cost of the kindergarten program is anticipated to increase from $15 million in 1971-72 to $70.8 million in 1977-78 when it will be available to all children five years old. At that time, 150,000 five-year-olds are expected to attend kindergarten under the Foundation Program, and the program will provide an estimated 6,100 teachers, 380 principals, 93 supervisors and counselors, 310 special-service persons and 310 teaching aides.[1] Increases in the Foundation salary will push the cost per kindergarten student from $375 in 1971-72 to $507 per student in 1978-79.

Cost Increases After 1978. As the children of the post-World War II baby boom become parents, the increasing number of births will further boost the cost of the kindergarten program. Ten years from now (in 1982-83), kindergarten attendance is anticipated to reach 174,000 eligible students, boosting the cost to $90 million.

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[1] *Excludes five-year-olds expected to attend Special Education classes more than one-half day.*

Vocational Education Program

Texas statutes provide (1) that each school district operating a four-year accredited high school shall be eligible for at least two vocational teaching units, and (2) that additional vocational units may be allotted ". . .according to needs determined by a survey of the community and approved by the commissioner of education."[1] Vocational (occupational) education by definition includes:

> . . .all students and teachers within identified. . .program(s) leading to employment in recognized occupations not requiring a baccalaureate degree. . . . This term also includes supportive services such as vocational guidance and counseling; research and program development; teacher preparation and development; administrative and supervisory services; acquisition of instructional facilities, equipment, and supplies; exemplary programs and projects; and student work-study programs.[2]

Occupational courses may be developed under six vocational program areas: Agriculture, Homemaking, Distributive, Office, Health, and Technical and Industrial. A seventh newly established program, called Coordinated Vocational-Academic Education, is for a special group of students who may be falling behind in their work and possibly are on the verge of dropping out of school. It is designed to adjust their vocational and academic courses in order to stimulate and maintain their interest in school.

To qualify for vocational units under the Foundation Program, a district must submit a request to the Texas Education Agency showing need, estimated enrollment, facilities, equipment, etc. To control the maximum number of vocational teaching units, the State Board of Education has adopted a formula based on average daily attendance in grades 9-12. The formula is weighted heavily in favor of smaller districts. For example:

District Enrollment, Grades 9-12	Students Per Vocational Teaching Unit
Less than 800	40-50/ Unit
9,000	96/ Unit
45,000	260/ Unit
More than 50,000	Not more than 194 Units

Vocational guidance and counselor units are allocated on the basis of students enrolled in vocational courses. A counselor may be

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1 *Sections 16.14(b) and (c) of the Public Education Code.*

2 *Texas Education Agency, Guide for Public Schools in Planning Programs of Occupational Education for In-School Students, 1972.*

allotted for the first 300 students and one additional counselor for each 500 students, up to a maximum of 14 counselors. A district with at least 10 teaching units is eligible for one vocational supervisor, plus one for each additional 30 units above 24, up to a maximum of 13 supervisors.

Financing. The bulk of all vocational program costs are funded jointly by the state and local governments under the Foundation Program, but some local funds also are required for matching federal aid.

In 1970-71 the Foundation Program provided $54.7 million for salaries and operating expenses for 5,791 vocational teaching units. Dividing by the number of students in vocational classes adjusted to an estimated full-time equivalent basis, vocational education under the Foundation Program cost $667 per student. As could be anticipated from the formulas, the Foundation Program provided only about one-half that amount - $345 per student - in the five largest school districts. On the other hand, districts with less than 500 ADA received more than twice the average per student.

The Foundation Program in 1970-71 provided an average of one vocational teacher for every 14.2 students, but in the five largest school districts, the staffing ratio was 26.5 to 1, compared to 6.3 in the smallest districts. (See Table 4.)

Applying the *maximum* formulas to each of the 1,149 districts, vocational education under the Foundation Program in 1970-71 would have cost $101 million instead of $54.7 million, if the vocational education program envisioned by the State Board of Education had been fully implemented that year.

For projection purposes, the staff of the Texas Education Agency has estimated that vocational units will increase by about nine percent a year. At that rate, the vocational education program described by the State Board Maximum Formula would be fully implemented by 1977-78.

The staff of the Texas Education Agency recently attempted to define "target populations" for various special programs and to determine the number of children who need to be served through those programs by public school education in Texas. Using that data, it is possible to give some description of what a fully implemented plan of vocational education might look like. Dividing the estimated $101 million cost of a fully implemented vocational education program by the "target population," the average cost per student in 1970-71 would have increased from $667 to $798.

The impact on districts of various size under a fully implemented vocational education program is shown in Table 4. The five largest districts would receive less funds per student - $318 as compared to $345 actually received in 1970-71. Under the formula the five would be allocated only 177 more vocational education teaching units and the staffing ratio would *increase* from 26.5 to 30.7 students per teaching unit. On the other hand, if Houston ISD had received an amount equal

to the State average per student for vocational funds under the Foundation Program, it would have gained an additional $2 million, or $5 million if the program had been fully implemented. Dallas ISD would have received an additional million at the State average per student in 1970-71 and would receive $3.8 million if equally funded under a fully implemented vocational program. For purposes of projecting the cost of the Foundation Program under existing law and policy, it has been assumed that vocational education will increase at the rate anticipated by the Texas Education Agency until 1977-78 at which time the maximum number of units authorized by the State Board's formula will have been reached. Thereafter, the total number of vocational units is projected to decline from 11,550 in 1977-78 to 10,150 in 1982-83 as high school enrollment in the State falls off. Any change in the formula by the State Board of Education could substantially alter projected costs. It certainly could be anticipated that the large school districts will seek more equitable funding of vocational education programs from the new State Board of Education, which has been realigned to give more representation to urban areas.

Special Education

The Foundation Program provided $62.5 million for special education programs in 1970-71 and $87.4 million in 1971-72 - a 40 percent increase in one year. Program control of special education was delegated to the State Board of Education and the Commissioner of Education by the Legislature in 1969:

> Under rules, regulations and/or formulae adopted by the State Board of Education subject to the provisions of this Section, exceptional children teacher units, in addition to other professional and paraprofessional unit allotments herein authorized, shall be allotted to any eligible school district in the number determinable thereunder. (Section 16.16, Education Code.)

Statutory provisions include an allowance of $150 per exceptional student who requires transportation, and an allowance for ". . . pupil evaluation, special seats, books, instructional media and other supplies required for quality instruction. . ." as determined by the Commissioner. Thus, except for the transportation allowance limit and the minimum salary schedule for professional personnel, the extent and cost of the special education program is subject only to the discretion of the State Board of Education and the Commissioner. Age limits for special education students are 3 to 21 years, compared to 5 to 21 years for regular programs.

Under present rules and regulations adopted by the State Board, a district may qualify for special education programs under either Plan "A" or Plan "B," but all districts providing special education must adopt Plan A by 1976. Plan B provides classroom teaching units, aides

Table 4

COMPARISON OF FOUNDATION COST AND STAFFING RATIO OF VOCATIONAL EDUCATION 1970-71 WITH CALCULATED COST IF VOCATIONAL EDUCATION FORMULAE HAD BEEN FULLY IMPLEMENTED

No. of Districts	Size of District (Total ADA)	1970-71 Actual		If Vocational Formulae Had Been Fully Implemented and Target Population Served	
		Cost Per Voc. Ed. Student	Students Per Teacher	Cost Per Voc. Ed. Target ADA	Ratio Target ADA Per Teacher
5	Over 50,000 ADA	$ 345	26.48	$ 318	30.66
41	10,000 - 49,999 ADA	574	16.17	652	15.04
36	5,000 - 9,999 ADA	611	15.47	872	11.53
189	1,500 - 4,999 ADA	762	12.57	1,119	9.06
93	1,000 - 1,499 ADA	907	10.60	1,198	8.44
213	500 - 999 ADA	1,112	8.64	1,210	8.19
432	100 - 499 ADA	1,461	6.51	1,425	6.70
140	Under 100 ADA	1,376	6.34	2,772	3.21
1,149	TOTAL	$ 667	14.15	$ 798	12.44

NOTE: Students in 1970-71 are estimated full-time equivalent ADA in vocational education classes. Students under full implementation of vocational education formulae are the "Target Population" adjusted to a full-time equivalent ADA. Size of district is based on total ADA in all school programs.

and supportive professionals *based on the number of children specifically identified as needing special services.* Of districts providing special education programs in 1970-71, all but five were under Plan B.

Plan A allocates units not on the basis of children needing services but on the total number of children attending school in the district. Plan A assumes that 19 percent of the children in each school district in the State need special education.[1] For each 3,000 ADA in a school district, it provides 23 classroom units, 10 teacher aides and 4 supportive professional units. For districts with an ADA greater than a multiple of 3,000, Plan A also provides for each 1,000 pupils 7 instructional units, 3 teacher aides and one supportive professional unit. Fifteen percent of these units must be utilized in early childhood programs for children age 3 to 5 years. Under a new rule adopted by the State Board of Education in March 1973, Plan A will provide a basic support allowance for special materials and services amounting to $1,000 per professional instructional unit employed. The allotment will be divided between the local districts and the Regional Education Service Centers as follows:

Category	School District	Service Center
Pupil Appraisal Service	$ 350	$ ---
Special Materials	225	125
Consultant Services	150	150
Total	$ 725	$ 275

Districts may transfer up to 10 percent among the categories, and funds not expended are deducted from the next year's allocation. The Foundation Program also reimburses school districts for the cost of contracting with approved nonpublic schools for the instruction of exceptional children. Texas Education Agency officials expect the cost of these contractual special education services (which amounted to $1.9 million in 1971-72) will be reduced as Comprehensive Special Education for Exceptional Children (Plan A) introduces a wider range of programs and services not previously available in some public schools.

Districts with fewer than 3,000 ADA may form cooperative programs with other districts. Cooperative program units are allotted on the basis of the combined ADA.

For evaluation, Plan A formulas have been applied to each of the 1,149 school districts, using the districts' pupil population characteristics in 1970-71. The Foundation Program actually provided 6,173 special education units in 1970-71, but if Plan A had been fully implemented that year the number of teaching units would have

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[1] *The incidence rate of 19 percent is based on reported national rates for various types of handicapping conditions with some adjustment.*

been 18,357 and the cost would have been $216 million as compared to the $62.5 million actually incurred.[1]

Converting students to a full-time attendance basis, special education in 1970-71 actually cost $1,195 per ADA. If Plan A had been fully implemented, and if the anticipated number of students had attended, special education would have cost $1,428 per student that year. (See Table 5 below.) The cost per student by 1976, when Plan A is scheduled to be fully implemented, will be greater because of increases in professional salaries scheduled under the Foundation Program.

In 1970-71 the Foundation Program provided one special education teacher for each 8-1/2 students (full-time equivalent). If Plan A had been implemented that year and the anticipated number of students had attended, the pupil-teacher ratio would have been 8.2 to 1. Apparently there is no significant difference in the special education program by size of district. (See Table 5.)

While districts must adopt Plan A by 1976, Agency officials expect the shortage of trained professional personnel to delay full staffing of special education classes until 1980. Apparently, employment of special education teachers in the current school year was significantly less than the figure projected by the Texas Education Agency a year ago. Therefore, cost projections in this report anticipate fewer special education units in the immediate future than the Agency had projected originally, but assumes full implementation and staffing of Plan A by 1980-81.

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[1] *This figure excludes the cost of transportation of special education students, special seating and electronic communication devices.*

Table 5

COMPARISON OF FOUNDATION COST AND STAFFING RATIO OF SPECIAL EDUCATION
1970-71 AND CALCULATED COST IF PLAN A WERE FULLY IMPLEMENTED

No. of Districts	Size of District	1970-71 Actual		If Plan A Had Been Fully Implemented	
		Cost Per Sp. Ed. Student	Ratio Students Per Teacher	Cost Per Sp. Ed. Target ADA	Ratio Target ADA Per Teacher
5	Over 50,000 ADA	$1,090	9.0	$1,470	8.0
41	10,000 - 49,999 ADA	1,205	8.7	1,417	8.2
36	5,000 - 9,999 ADA	1,263	8.0	1,356	8.7
189	1,500 - 4,999 ADA	1,222	8.2	1,403	8.5
93	1,000 - 1,499 ADA	1,224	7.6	1,468	8.0
213	500 - 999 ADA	1,283	7.4	1,473	8.0
432	100 - 499 ADA	1,200	9.1	1,469	8.0
140	Under 100 ADA	1,930	4.5	1,472	8.0
1,149	TOTAL	$1,195	8.5	$1,428	8.2

NOTE: Students in 1970-71 are estimated full-time equivalent ADA in special education classes. Students under full implementation of Plan A are the "Target Population" for various types of special education adjusted to a full-time ADA equivalent. Size of districts is based on total ADA in all school programs.

FINANCING THE SPECIAL PROGRAMS

The two previous reports in this series on *Texas Public School Finance* have shown that the wide range in educational resources among the 1,149 school districts in Texas is due not only to unlimited enrichment from local property taxes, but also to the Foundation Program.

In 1970-71, the Foundation Program cost per student averaged $427, but it exceeded $1,500 in one district with 38 pupils at one extreme and dropped below $300 for another district with 51 pupils at the other extreme.

The second interim report, subtitled "A Majority of Exceptions," cataloged the long list of credits, special benefits or exceptions. The report further pointed out that much of the variation in Foundation Program resources is attributable to the method used to finance vocational and special education.

The Texas Foundation Program provides one classroom teaching unit for every 25 students six to twenty-one years old.[1] For example, a district with 500 children would be allotted 20 classroom teaching units and the Foundation Program would fund their salaries plus a $660 operating allowance for each class.

The kindergarten program was added beginning in 1970-71 by lowering the age for eligible students. Kindergarten, therefore, is funded as part of the regular Foundation Program, and a teaching unit is allotted for every 25 students.

Special instructional programs, on the other hand, serve children *already in school* (rather than enlarging total attendance). For example, of 500 students, 100 might need special instruction under vocational education, special education, driver education or other programs. Staffing the classes to serve these 100 students could be approached in several ways:

1. Four of the 20 teachers earned under the Foundation Program (at the ratio of 1 teacher for 25 students) might be transferred to the special classes, leaving the total number of teachers at 20 and the average class size in both regular and special programs unchanged;

2. Since most special programs are believed to require lower pupil-teacher ratios, four teachers might be transferred from the regular program and four additional teachers hired -

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[1] *Smaller ratios providing more units are used for districts with fewer than 488 students in average daily attendance.*

making a total of eight teachers for the special programs and an average pupil-teacher ratio of 12.5 to 1 - but leaving the ratio at 25 to 1 in the regular program. This approach provides a total of 24 teachers.

3. The same relative staffing ratios could be achieved by "weighting" the students needing special classes at double the normal student count. This approach would add the 400 regular students to 200 special-program students (at double weighting), making a total of 600 ADA which would be divided by 25 to produce 24 teachers. Teacher distribution would be left to the local district, but eight could be assigned to special classes to provide a ratio of one teacher for 12.5 actual students - while leaving 16 teachers for regular classes, at a 25 to 1 ratio.

4. In general, the Texas system does not subtract the 100 pupils assigned to special classes from the original 500 students in the regular program in counting teacher entitlement.[1] Thus the Texas formulas would continue to allot 20 teachers for the regular classes plus 8 for the special classes - or a total of 28. This approach reduces the ratio in the regular classes to one teacher for 20 students.

The Texas approach often is called a "bonus unit" system because it provides extra teachers for both regular and special classes. It permits a reduction of regular class student-teacher ratios for reasons unrelated to the calculated staffing requirements of the regular program. In practice, funds received for "bonus units" often are used by local districts to pay the salaries of teachers who otherwise would be paid from local "enrichment" funds. In turn, this frees enrichment funds for employing still more personnel or for other operating expenditures. The "bonus unit" system substantially increases the total cost of the Foundation Program. Thus far, it has tended to benefit more affluent districts able to underwrite initial planning and start-up costs from local funds.

Bonus Units Under the Texas System

Vocational Education. In 1970-71, 5,760 classroom teaching units and 234 supportive units for vocational education were provided under the Foundation Program. Attending these vocational classes were 314,000 students, most of whom (70 percent) attended vocational classes in agriculture and homemaking which typically meet for only one class period a day. Adjusting for the estimated proportion of time in vocational classes, vocational education accounted for an estimated 82,000 full-time equivalent children in average daily attendance in

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[1] *For example, Section 16.14(f), VATS, Education Code, provides: "Vocational-professional unit allotments, except classroom teachers who also served as part-time vocational teachers, shall be made in addition to other professional unit allotments."*

1970-71. Attendance in regular classrooms, of course, was reduced by this amount. Calculating the impact of attendance in vocational classes on the regular program indicates that in 1970-71 vocational education accounted for 3,334 bonus classroom teaching units, 55 supervisors and counselors and 174 bonus aides. The minimum additional cost of the bonus units was $23.3 million.

In the future, the number of bonus units is anticipated to increase rapidly as programs in vocational education grow under the formulas adopted by the State Board of Education. By 1977-78 the cost of bonus units for the regular school program created by attendance in vocational education classes will approach $43 million annually. The salary increase in 1978-79 will further increase the cost of bonus units to $47 million.

Special Education Classes. A different approach is followed in accounting for students attending special education classes. In the past, such students (except speech handicapped) were *excluded* from the count in the allocation of regular classroom teacher units.[1] In 1970-71 that portion of the enrollment in special education classes which was double-counted produced an estimated 215 bonus regular teaching units, 18 aides and one counselor at a cost of only $1.5 million.[2]

This cost, however, is expected to grow rapidly as Plan A is implemented. It should reach about $19 million in 1976-77 and approach $30 million in ten years. Under an administrative ruling in 1971, Plan A districts can count students attending special education classes for one-half time or less *during the year* as eligible ADA for allocating regular units. This is only a rough estimate of the anticipated cost of bonus units generated by special education, because there is no actual data on which to predict accurately the impact of the new administrative ruling.

Under the rule for Plan B districts can be penalized as well as gain regular classroom units. The $1.5 million estimated cost in 1970-71 is a combination of bonus units in 82 districts o-fset by loss of units in 118 school districts.

Winners and Losers. In 1970-71, 449 school districts received no additional funds through the bonus unit system, while 700 districts received funds ranging from $1.94 to more than $100 per ADA. Analysis by various groups of school districts produces no clear pattern.

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1 *An October 1960 administrative ruling allowed pupils enrolled in special education classes for which one-half of a professional unit had been allocated to be counted also in the allocation of regular teaching units.*

2 *Five districts operated under Plan A in 1970-71, and all reported special education students as eligible ADA.*

Winners and losers of the bonus unit system depend on the presence or absence of special classes and the nature of those classes.

The cost of bonus units in 1970-71 averaged $11 per ADA. If these funds had been distributed equally, 706 school districts would have received more funds, but 443 districts would have received less. Among the larger school systems, Austin, El Paso and Fort Worth each would have received about $250,000 more if funds had been distributed equally instead of through the bonus unit system. On the other hand, Houston would have received $170,000 less and Dallas, $115,000 less. However, the relative position of Dallas and Houston probably will change within the next few years (see section on vocational education programs).

In short, the bonus unit system under the Foundation School Program for special programs represents a double funding for regular school programs in some school districts while shortchanging other districts. The cost already has passed the level of $25 million and will reach $50 million in about three years.

COST OF SALARY INCREASES ALREADY ENACTED

In 1969 the Texas Legislature amended the Foundation Program to provide a new minimum sala y schedule which not only granted immediate increases, but also guaranteed further raises during the decade.

The new salary schedule was "indexed" on a begi.ing salary of $600 per month for a teacher with a bachelor's degree and no experience. For 1970 the schedule was increased from nine to ten months, making an annual base salary of $6,000. Other professional salaries were set in percentage relationship to the B.A. base. A five percent increment was provided for each year of experience up to ten years.

Installation Plan Postponed Full Cost Impact. To install the new salary schedule at a reasonable cost, experienced teachers in 1969-70 were given a ten percent increase over the salary they would have received under the prior schedule, and in 1970-71 were placed on the next step of the new schedule. For example, a teacher with a bachelor's degree and four years of experience (as of the 1968-69 school year) received the following salary under the minimum schedule, compared with the salary which would have been authorized under immediate full implementation:

	Actual	Full Implementation	Difference
1968-69	$5,202	------	------
1969-70	5,895	$7,670	$1,775
1970-71	6,950	8,050	1,100

Thus, in 1970-71, this example teacher actually was paid at step three on the schedule rather than step six (six years of experience) - which full implementation would have required..

The minimum salary schedule becomes more expensive with the passage of time, because teachers employed after 1970-71 move directly into the schedule and receive the full five percent increment for each year of accumulated experience.

Automatic Salary Increases. The 1969 legislation also provided for automatic salary increases of $60 per month in 1974-75 and $66 per month in 1978-79 (approximately ten percent in each case).

For example, a beginning teacher with a bachelor's degree in 1970-71 received a Foundation Program salary of $600 per month - or $6,000 per year for most teaching personnel. By 1980-81 the same teacher already is guaranteed an annual salary of $11,040 - an increase of 84 percent in ten years. By attending classes during the summer recess, a teacher might acquire a master's degree in three years. With this higher degree, the teacher would be guaranteed $1,204 per month or $12,040 per year.

Supplemental Salary Program. In 1965, local districts were given another salary program option financed 80 percent by the state, aimed at encouraging rewards for extra duty, and/or meritorious service, or helping a district recruit specially skilled teachers who are in short supply. The "supplemental state aid" act provides that any or all classroom teachers (including vocational and special education personnel) who spend at least half time in the classroom may qualify for extra pay. The State's share of the cost is limited to $50 multiplied by the total number of classroom teachers. The local district must provide matching funds equal to the local district's percentage share of its regular Foundation Program costs. At least ten percent of the district's teachers must participate in the program, and no teacher may receive a supplement of less than $100 or more than $1,000 annually. While some districts simply use the program to provide an across-the-board supplement for all teachers, others use the Supplemental Salary Program to grant merit and/or extra duty increases. Thus, under existing Foundation Program authorization, the teacher hired in 1970-71 with a B.A. degree might be earning $12,040 for a ten-month school year (including the $1,000 supplemental salary) by 1980, or $13,040 with a master's degree.

Other Positions. Other Foundation Program classifications such as counselor, supervisor, principal and superintendent are paid at higher steps on the Foundation Program salary schedule, compared to teachers. In addition, the schedule adopted in 1969 provided several new steps at higher grades that would be available both for teachers and for administrative personnel, when and if the Legislature authorizes their implementation. For example, a teacher might be paid 15-25 percent more for assignment to a Special Duty classification involving extra duties such as coaching, sponsoring activities (debate, for example), or performing other functions requiring additional hours of work. Teachers assigned to positions such as department head, director of a resource center, or similar duties, might be paid 30 percent above the base salary schedule for a B.A. degree. On the other hand, an assistant superintendent might be paid twice as much as a teacher with a bachelor's degree if the new salary classes are activated.

The 1969 legislation added a classification of "teaching aide" to the Foundation Program. The first year, 1970-71, 5,459 teacher aides were provided under the Foundation Program and the number is expected to grow to more than 13,000 during the next ten years. The salary schedule provides three pay levels for aides, but only the lowest level has been authorized thus far.

Average Foundation Salary. In 1971-72, the Foundation Program provided an average salary of $7,968 for each professional position allotted, ranging from the beginning teacher to superintendent.[1] As detailed in Table 6, this average is anticipated to increase to $10,820 per unit in 1980-81, and remain at about that level for the following two years. The average salary depends not only on the Foundation schedule, but also upon the number of persons hired and the number retiring. If the Texas public schools were to maintain the 1971-72 level of educational services, a slightly smaller number of teachers and other professionals would be needed ten years from now under the Foundation Program formulas. However, expansion of kindergarten, implementation of Plan A Special Education, and further development of vocational education programs will require about 20,000 more school personnel by 1982-83 under the Foundation Program as presently enacted.[2] Table 6 shows that the cost of professional salaries under the Foundation Program is anticipated to increase from $1.0 billion in 1971-72 to $1.6 billion ten years from now. The annual increase in Foundation salary costs is broken out by the reason - more students, salary increases under the 1969 legislation, and implementation of new programs (i.e., kindergarten, special education and vocational training). Of the $625 million increase in Foundation salary costs from 1971-72 to 1982-83, only 4.6 percent is attributable to more students in grades 1-12. More than half - 55.8 percent - of the increase will result from the 1969 salary legislation. Implementation of new programs accounts for almost 40 percent of the salary increase, and this does not include non-salary costs of these new programs provided under the Foundation Program.

Actual Salaries. In 1971-72, less than 15 percent of the professional school personnel in Texas actually were paid at the minimum Foundation Program salary level. Most districts supplement the State minimum salary schedule from local funds. The average supplement for all personnel in 1971-72 was $942 per year.[3] As detailed in Table 7, two-thirds of the school personnel in 1971-72 received at least $500 above the minimum schedule, more than one-third were at least $1,000 above

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1 *Nonprofessional teaching aides are excluded from these figures.*

2 *This projection is based on current retention rates for Texas school personnel. Currently a beginning teacher will remain in Texas schools an average of 18.7 years. Excluding those who leave the profession within the first five years, the average experience is 26.6 years.*

3 *If teachers paid from federal and local funds are included, the average salary enrichment in 1971-72 was $910 per year.*

Table 6

INCREASE PROJECTED FOR FOUNDATION SALARIES BY REASON
AND ESTIMATED AVERAGE FOUNDATION SALARY
(in Thousands of Dollars)

School Year	Foundation Salary Cost	Increase Over 1971-72 Due to: More Students	1969 Salary Legislation	New Programs	Average Foundation Salary
1971-72	$1,016,348	---	---	---	$ 7,968
----------PROJECTED----------					
1972-73	$1,075,299	3,179	$ 34,697	$ 21,075	$ 8,250
1973-74	1,108,174	1,502	69,769	20,555	8,530
1974-75	1,273,823	-2,771	185,367	74,879	9,446
1975-76	1,328,572	-6,250	212,241	106,233	9,673
1976-77	1,369,079	-6,423	228,964	130,190	9,814
1977-78	1,422,027	-5,651	242,031	169,299	9,910
1978-79	1,557,985	-4,570	338,008	208,199	10,686
1979-80	1,592,020	-1,590	345,797	231,465	10,771
1980-81	1,608,015	3,268	348,245	240,154	10,820
1981-82	1,624,111	13,918	350,539	243,306	10,857
1982-83	1,640,873	28,382	348,491	247,652	10,843
Percent of 1972-1983 Increases	100%	4.6%	55.8%	39.6%	

Table 7

CUMULATIVE PERCENTAGE TEXAS PROFESSIONAL SCHOOL PERSONNEL
BY AMOUNT OF SALARY ENRICHMENT, 1971-72

Levels of Salary Enrichment	1971-72			
	Foundation	Excess	Federal	Total
Minimum or above	100.00%	100.00%	100.00%	100.00%
$ 0 - $ 99	85.35	89.43	61.78	85.75
100 - 199	79.94	77.92	42.80	79.62
200 - 299	76.45	75.61	39.10	76.51
300 - 399	72.67	72.84	35.19	73.12
400 - 499	67.95	68.81	30.98	68.88
500 - 599	62.87	63.38	26.23	64.21
600 - 699	56.99	58.56	22.57	59.03
700 - 799	50.27	49.87	18.99	47.67
800 - 899	42.49	43.19	16.21	40.88
900 - 999	38.12	36.49	13.94	36.78
1,000 - 1,099	33.46	32.99	12.47	28.98
1,100 - 1,199	29.60	27.81	10.99	28.60
1,200 - 1,299	26.51	24.36	9.41	25.81
1,300 - 1,399	23.60	21.70	8.61	23.27
1,400 - 1,499	21.30	18.81	7.56	18.63
1,500 - 1,599	14.44	15.16	6.93	16.84
1,600 - 1,699	17.56	13.49	6.58	15.21
1,700 - 1,799	16.32	11.16	6.00	14.01
1,800 - 1,899	14.99	9.14	5.25	12.76
1,900 - 1,999	12.83	8.10	4.78	10.96
2,000 - 2,099	11.19	7.25	4.28	9.58
2,100 - 2,199	10.13	6.52	4.01	8.68
2,200 - 2,299	7.60	5.79	3.11	6.59
2,300 - 2,399	6.83	5.10	2.73	5.91
2,400 - 2,499	6.05	4.54	2.40	5.24
2,500 - 2,599	5.42	4.05	2.18	4.69
2,600 - 2,699	4.61	3.46	1.77	3.99
2,700 - 2,799	4.21	3.15	1.61	3.65
2,800 - 2,899	3.82	2.83	1.43	3.31
2,900 - 2,999	3.53	2.59	1.31	3.05
3,000 - 9,999	3.25%	2.30%	1.19%	2.80%

the schedule, and ten percent received more than $2,000 extra. If this level of local enrichment is maintained, professional school personnel in Texas will earn an average of nearly $12,000 for a ten-month work year in 1978-79. Classroom teachers should be earning about $11,455 on the average by that date. (See Table 8 and Chart 1, showing the historical growth of salaries since 1961-62, projected to 1982-83 under the present pattern.) Average Foundation Program salaries and average actual salaries by position for 1971-72 are shown in Table 9.

STATE COSTS FOR TEACHER RETIREMENT

Teacher retirement costs are financed entirely by the State and by contributions of participating employees. The right to participate is extended to all personnel employed by an agency of public education, including school districts, regional educational service centers, county superintendents' offices, and the Texas Education Agency (plus junior colleges and state senior colleges). Participants include not only the professional personnel authorized by the Foundation School Program, but also excess professionals employed by eligible agencies from either local or federal funds, and all paraprofessional and nonprofessional employees of such agencies.

State contributions to the Teacher Retirement System are set at six percent of the employee's actual salary, whatever its source. Thus, for every salary increase, an additional six percent is added to the State's cost. In 1971-72 the State paid about $91.6 million for retirement matching for employees of local school districts. If actual salaries during the next ten years parallel the increase in the Foundation Program salary schedule, the state's cost for retirement matching will grow to almost $150 million by 1982-83.

In 1971-72 the State spent at least $3 million for retirement matching for 8,200 teachers whose salaries were paid from federal funds. The various federal-aid-to-education programs generally provide funds for retirement matching, but they have not been used for that purpose in Texas. The policy for the Teacher Retirement System differs from that followed by the State Employees Retirement System which uses federal funds to match retirement contributions of state employees whose salaries are paid from federal sources.

The liberal teacher retirement matching policy means that districts able to employ extra personnel beyond the Foundation Program authorization, and to pay salaries above the minimum salary schedule, enjoy a substantial advantage over districts which are not able to fund such extra expenditures from local resources. The League's Second Interim Report estimated that this subsidy might range from as little as 31 cents per student in a poor district like Laredo to as much as $31 per student in an affluent district like Andrews for state-local financed personnel (not counting nonprofessional employees).

In 1971-72 retirement matching for salaries under the Foundation schedule totaled $61 million. The other $30 million of state retirement costs was used to match local salary enrichment, excess personnel beyond the Foundation Program authorization, and for nonprofessional employees (other than teacher aides authorized under the Foundation Program).

Table 8

AVERAGE SALARIES OF PROFESSIONAL PERSONNEL IN THE TEXAS PUBLIC SCHOOL SYSTEM, 1961-62 THROUGH 1971-72 AND PROJECTED TO 1982-83

	Classroom Teachers		All Professionals	
	Foundation	Actual	Foundation	Actual
1961-62	$ 4,701	$ 5,231	$ 4,886	$ 5,455
1962-63	4,769	5,307	4,955	5,524
1963-64	4,807	5,367	4,993	5,603
1964-65	4,854	5,421	5,044	5,642
1965-66	5,309	5,858	5,530	6,107
1966-67	5,284	5,890	5,508	6,109
1967-68	5,824	6,576	6,055	6,855
1968-69	5,822	6,625	6,053	6,937
1969-70	6,492	7,311	6,774	7,598
1970-71	7,446	8,147	7,720	8,566
1971-72	7,684	8,472	7,968	8,919
Projected				
1972-73	7,967	8,813	8,250	9,234
1973-74	8,246	9,115	8,530	9,547
1974-75	9,164	10,110	9,446	10,571
1975-76	9,392	10,358	9,673	10,825
1976-77	9,534	10,512	9,814	10,983
1977-78	9,631	10,617	9,910	11,091
1978-79	10,404	11,455	10,686	11,959
1979-80	10,486	11,544	10,771	12,054
1980-81	10,533	11,595	10,820	12,109
1981-82	10,568	11,633	10,857	12,150
1982-83	10,553	11,617	10,843	12,135

Chart 1

AVERAGE FOUNDATION PROGRAM SALARIES AND AVERAGE ACTUAL SALARIES FOR CLASSROOM TEACHERS AND ALL PROFESSIONAL PERSONNEL, 1961-62, 1971-72 AND PROJECTED 1981-82

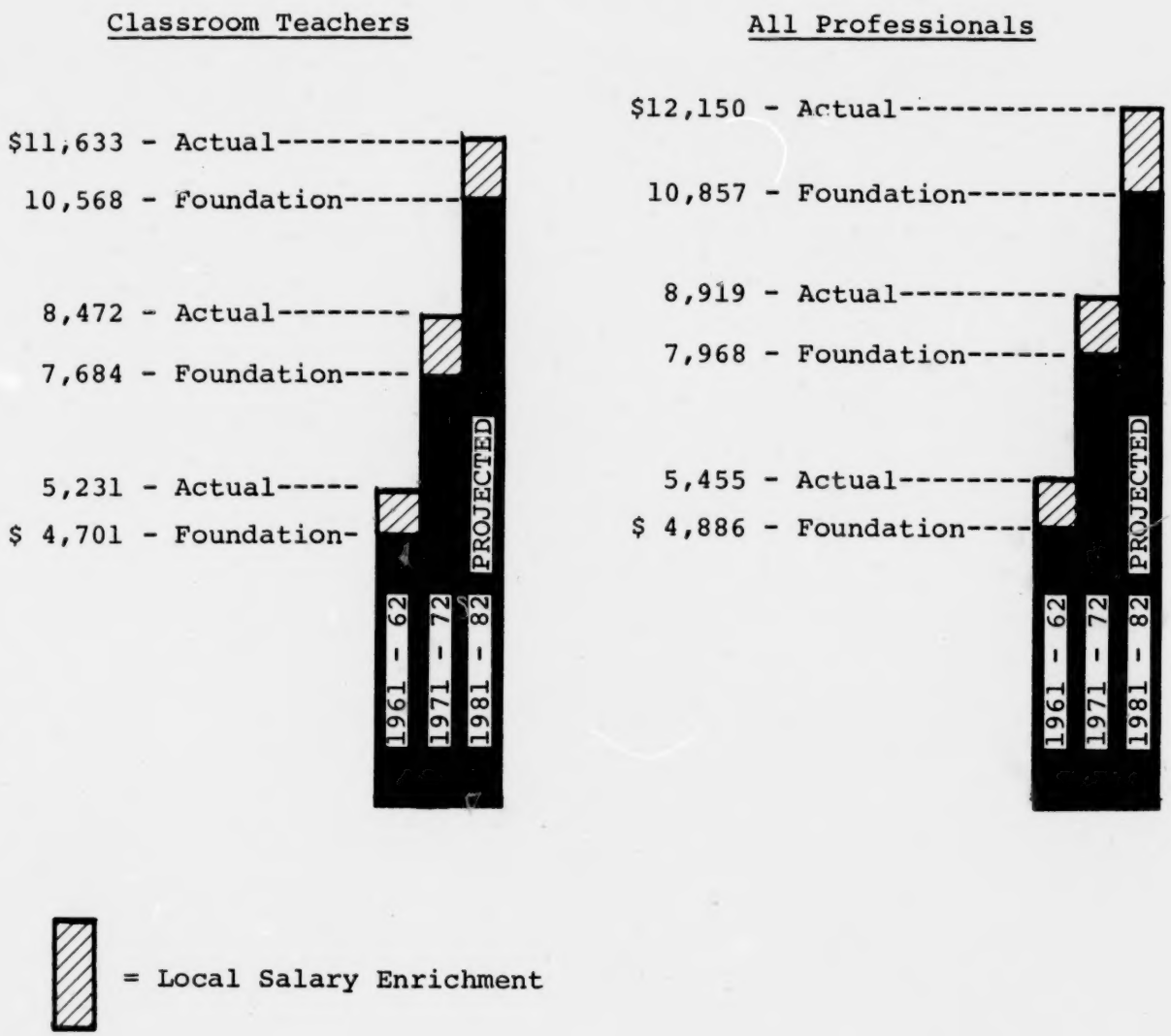

Table 9

AVERAGE 1971-72 SALARY LEVELS BY POSITION

Position	Average Foundation Salary				Average Actual Salary			
	Foundation	Excess	Federal	Total	Foundation	Excess	Federal	Total
Superintendent	$15,572	$13,378	$ 0	$15,560	$17,738	$15,366	$ 0	$17,725
Principal, Full-Time	12,222	11,721	0	12,212	14,157	13,230	0	14,140
Principal, Part-Time	9,677	0	0	9,677	11,115	0	0	11,115
Supervisor	10,983	10,373	0	10,949	14,462	12,837	0	14,370
Counselor	10,709	9,748	0	10,579	11,588	10,612	0	11,455
Kindergarten Teacher	7,298	6,186	0	7,148	7,922	6,820	0	7,773
Elem. Teacher	7,692	6,217	0	7,572	8,461	6,957	0	8,339
Jr. High Teacher	7,507	6,175	0	7,356	8,437	7,149	0	8,291
H. S. Teacher	7,645	6,212	0	7,499	8,821	7,176	0	8,654
Librarian	8,260	7,283	0	8,213	9,251	8,020	0	9,191
School Nurse	7,485	6,636	0	7,346	8,405	7,476	0	8,253
Physician	7,991	0	0	7,991	9,908	0	0	9,908
Visiting Teacher	8,328	7,215	0	8,294	9,942	8,001	0	9,887
Itinerant Teacher	7,920	6,560	0	7,866	9,835	7,904	0	9,753
Adm. Assist.	0	10,715	0	10,715	0	13,374	0	13,374
Exceptional Child	7,572	7,191	0	7,561	8,372	8,096	0	8,365
Sp. Ed. Supervisor	11,134	9,756	0	11,109	12,191	10,285	0	12,155
Sp. Ed. Counselor	10,276	8,235	0	10,249	10,831	8,754	0	10,803
Vocational	8,157	7,361	0	8,131	8,940	8,223	0	8,917
Voc. Supervisor	11,658	10,857	0	11,524	13,561	12,432	0	13,373
Voc. Counselor	10,262	9,592	0	10,247	10,980	10,662	0	10,973
Voc. Supervisor Adm.	11,672	11,576	0	11,667	13,013	12,900	0	13,007
Misc. Prof. Pers.	0	6,813	0	6,813	0	8,241	0	8,241
Co-Wide Deaf	0	7,531	0	7,531	0	8,836	0	8,836
Kindergarten, Non-F	0	7,090	0	7,090	0	8,022	0	8,022
Pre-School Deaf	0	7,116	0	7,116	0	8,261	0	8,261
Voc. Handicapped	7,650	0	7,109	7,151	8,038	0	7,613	7,646
Model Cities Program	0	0	6,100	6,100	0	0	6,744	6,744
Natl. Teacher Corps	0	0	8,305	8,305	0	0	9,531	9,531
Driver Education	0	0	7,517	7,517	0	0	8,833	8,833
OEO	0	0	5,550	5,550	0	0	6,057	6,057
Fed. Migrant (OEO)	0	0	6,503	6,503	0	0	6,874	6,874
TOTAL	7,968	6,497	6,546	7,827	8,941	7,439	7,278	8,796
Title I-ESEA	0	0	7,482	7,482	0	0	8,099	8,099
Title I Aides	0	0	3,108	3,108	0	0	3,205	3,205
Teacher Aides	3,119	3,078	0	3,111	3,507	3,511	0	3,507
Spl. Ed. Aides	3,095	3,096	0	3,095	3,251	3,538	0	3,262
TOTAL	$ 7,739	$ 6,220	$5,688	$ 7,491	$ 8,681	$ 7,120	$6,106	$ 8,401

ALTERNATIVES FOR MODIFYING PROJECTED SCHOOL FINANCE COST INCREASES

The state-local cost of mandated public education programs in Texas will increase by approximately $553 million in the next six years under existing statutes, as outlined at the beginning of this report. The predicted cost increase could be modified in either or both of two general ways:

1. Prospective *overall* state-local increases might be limited; and/or
2. The distribution of costs between the State and the local districts could be altered.

The second choice might produce an across-the-board shift affecting all local districts, or it might be exercised on a selective basis by altering formula benefits and/or tax responsibility credits for certain classes of districts.

COST MODIFICATIONS AND THE EQUALIZATION PRINCIPLE

The U.S. Supreme Court on March 21 reversed the lower court decision and upheld the constitutionality of the present Texas school finance system. However, the court decision recognized the inequities in the system while commenting that any change ". . .must come from the lawmakers and from the democratic pressures from those who elect them."

In response to the ruling, Governor Briscoe called for action to correct the inequities in the current session of the Legislature, and stated that he had directed his staff to study the alternatives. Other state leaders expressed similar views.

The League's three reports have cataloged a long list of credits, exceptions and special benefits within the Foundation Program that favor some districts and penalize others. They offer ample opportunity for reforms in allocating funds and determining local shares of the cost to begin more equitable distribution of school aid.

Some of the options described above could produce substantial savings to be used in equalization efforts. However, it must be recognized that equalizing educational resources and/or spending probably will require the State to increase (rather than freeze or decrease) the total level os state aid. It is difficult to evaluate the prospective impact of each optional change but, in general terms, the anticipated results are summarized below.

Limiting Planned Increases in the Foundation Program Components

The most obvious possibility for reducing the projected increase in school finance costs would be to repeal the planned expansions in the

Foundation Program. As noted earlier, the major increases will be produced by (1) installation of a state-supported kindergarten program; (2) mandated increases in the minimum salary schedule in 1974 and 1978 (with the attendant additional cost for retirement benefits); and (3) planned expansion of the vocational and special education programs. The first two increases will occur automatically under the terms of H.B. 240, enacted in 1969. Control over the vocational and special education programs was delegated to the State Board of Education and the Texas Education Agency by the Legislature in 1969, and the planned expansion in those programs is based on administrative decisions.

State-Supported Kindergarten. As described in an earlier section, state support for kindergarten began with the initiation of classes for "educationally handicapped" students (from low-income and/or non-English-speaking families, for example). Kindergarten for other children as a part of the Foundation Program is slated to begin in September 1973, with full implementation by 1977-78.

Removal of kindergarten from the Foundation Program would reduce the projected state-local cost in 1978-79 by approximately $78 million, divided roughly on the 80-20 sharing basis between the State and local districts. However, many districts already have geared up to provide the program, and school patrons might insist that the plans be carried out at local expense. On the other hand, some of the poorer districts might be unable to pay the full cost locally, or might have to "water down" their educational offerings for students in grades 1-12 if they installed a kindergarten program without state aid. The net effect of state withdrawal of support for kindergarten probably would be to widen the resource gap between rich and poor districts. The effect might be softened somewhat if support were continued for the "educationally handicapped" students already enrolled in kindergarten at a total cost of only $23 million in 1972-73. The projected 1978-79 kindergarten cost could be reduced by $35 million by basing state aid on a half-day plan of operation.

Mandated Salary Increases

Increases in the State minimum salary schedule built into the present statutes could be repealed by the Legislature at a prospective state-local cost reduction of more than $90 million in 1974-75 and by $109 million in 1978-79 (including State contributions to teacher retirement). Again, it is quite likely that districts able to do so would further increase local enrichment of the minimum schedule. The net effect probably would be a further widening of the rich-poor per-student spending gap. Salary variations based primarily on local supplements already constitute a major cause of the spending differential.

Vocational Program Expansion. The State Board Plan for Vocational Program expansion could be curtailed by Board action, or the Legislature might impose statutory limits. For example, the Committee on Public School Education recommended in 1968 that school districts be

granted one classroom teacher for each 24 students in average daily attendance, with local districts given a choice between academic and vocational units. The choice of a vocational teacher would have been rewarded by a $400 operating allowance "bonus" over the amount provided for regular classroom teachers. Adoption of that alternative would reduce the state-local cost for the vocational program by approximately $93 million in 1978-79, as compared with the fully implemented State Board plan. The COPSE approach would have eliminated the discrimination against the larger districts in the allocation of vocational program personnel and funds, and it would have permitted considerable flexibility in educational program planning by local districts.

Freezing the allocation of vocational program funds and personnel at the 1972-73 level would save the State and local districts combined approximately $46 million in 1978-79 under the Foundation Program. There is little evidence by which to predict whether or not more affluent districts would provide more vocational programs in the absence of expanded state support. The net effect of limiting State support for vocational programs on the rich-poor per-student spending gap would be uncertain.

Special Education Program Expansion. Restriction of planned special education program expansion might be accomplished either by State Board of Education administrative action or by legislative amendment of the existing statute. Freezing the program at the present level would save the State and local districts combined approximately $140 million in 1978-79. Thus far, there is little evidence by which to judge whether or not the reported national incidence figure of 19 percent reflects actual conditions in Texas, or in all Texas school districts. Some savings might be achieved by substitution of "Plan B" which would require the local district to identify specific students in need of special education services, and to build program requests around that identified need. For example, reducing the incidence of special education students under Plan A from 19 percent of the student body to 10 percent would save approximately $128 million.[1] As in the case of vocational education, local funds have not been used very extensively for special education programs in the absence of state support. The effect of planned expansion on the rich-poor expenditure gap is uncertain.

The Bonus Unit System

Without curtailing the planned expansion of vocational and special education programs, the total state-local projected Foundation Program costs in 1978-79 might be reduced by approximately $70 million, if the bonus unit system were abolished. Either State Board of Education action or statutory amendment could eliminate the practice of

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[1] *Providing the staffing and special program formula were reduced in proportion to the smaller estimate of students to be served.*

maintaining regular classroom personnel and operating allowances and supporting personnel allowances as though students had not been withdrawn to attend vocational and special education classes. The system provides extra personnel and funds for the regular program above the levels authorized by statute, without any regard to the needs of either the regular or the vocational-special education programs.

As it has operated thus far, the bonus system has been partly responsible for the expenditure gap between rich and poor districts in many cases. The net effect of the practice after planned expansion is completed would be difficult to predict.

Limiting the State's Share of Public School Cost Increases

Under present statutory and administrative formulas, the State's share of the public school finance cost probably will increase from $1,074 million in 1972-73 to approximately $1,600 million in 1978-79. Some portion of that prospective increase might be shifted from the State to the local districts as a whole, or to selected classes of districts with above-average benefits under the present system. (See the League's Second Interim Report for explanatory detail relating to the options discussed below.)

Across-the-Board State Cost Reduction Options

1. The percentage division of state-local Foundation Program costs could be altered from the present 80-20 split. For example, increasing the combined local share to 30 percent would have saved the State about $100 million in 1970-71, and would reduce state obligations by about $226 million in the 1974-75 biennium.

2. Educational costs now financed entirely by the State could be included in the state-local sharing formula. For example, local participation in the Teacher Retirement System contributions would have saved the State approximately $17 million in 1970-71, or about $43 million for the 1974-1975 biennium.

Selective Transfer of State Cost Options

1. Eliminating the local-district option of choosing between current and prior year's attendance for calculating program costs would have saved the State more than $17 million in 1970-71, and would save considerably more in the future as the enrollment decline becomes more widespread and the kindergarten program is fully implemented.

2. Limiting the State's retirement fund contributions to Foundation Program personnel would have saved the State $27 million in 1970-71. Of the total, $3 million went to match retirement costs of personnel paid from federal sources, and federal funds could have been used for this purpose. The remainder went to match salary supplements and retirement

contributions of "excess" personnel paid from local enrichment sources. The future cost of the State's liberal matching policy will depend on the levels of federal funding and local enrichment spending.

3. Adoption of a flat rate formula for allocating personnel, without regard to size of district (using the formulas for the larger districts, would have saved the State approximately $2 million in 1970-71.

4. Eliminating Local Fund Assignment "credits" would have provided a one-year saving to the State of $27 million in 1970-71, and would have reduced the combined "gross" local fund assignment of all districts by a like amount the following year. Excess payments through the Per Capita Apportionment of $4.5 million to "budget balance" districts are included in the $27 million "credit" total. The per capita payments could have been reduced from $119 to $60 per student by statutory redefinition of the so-called "occupation" taxes now earmarked for the Available School Fund.[1] The explosive growth potential of the maximum tax rate credit was discussed earlier in this report.

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[1] *The following taxes which might be reallocated to the Foundation School Fund are listed in VATS Tax.-Gen. Art. 24.01: Natural Gas Tax, Oil Production Tax, Sulphur Tax, Motor Vehicle Sales and Use Tax, Article 7.02 of the Cigarette Tax, Miscellaneous Gross Receipts Taxes, Coin-Operated Machines Tax, Stock Transfer Tax, Store and Exempt Store Tax, Cement Production Tax, Misc. Occupation Taxes including Oil Well Servicing and Admissions Tax.*

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